

MINUTES OF THE
FINANCE COMMISSION MEETING

Friday, December 13, 2013

The Finance Commission of Texas met Friday, December 13, 2013, in the Finance Commission Building, William F. Aldridge Hearing Room, 2601 North Lamar Boulevard, Austin, Texas.

Members in attendance:

Bill White, Finance Commission Chairman
Paul Plunket, Finance Commission Vice Chairman
Susan Burton, Finance Commission Member
Stacy London, Finance Commission Member
Will Lucas, Finance Commission Member
Cindy Lyons, Finance Commission Member
Lori McCool, Finance Commission Member
Jonathan Newton, Finance Commission Member
Larry Patton, Finance Commission Member
Jay Shands, Finance Commission Member

Others in attendance:

Doug Foster, Executive Director to the Finance Commission and Commissioner, Texas Department of Savings and Mortgage Lending (SML)
Charles Cooper, Commissioner, Texas Department of Banking (DOB)
Leslie Pettijohn, Commissioner, Office of Consumer Credit Commissioner (OCCC)
Sealy Hutchings, General Counsel (OCCC)
Stephanie Newberg, Deputy Commissioner (DOB)
Russell Reece, Director of Special Audits (DOB)

Finance Commission Chairman Bill White announced a quorum with ten members present and called the meeting to order at 9:01 a.m.

Discussion of and Possible Vote to Excuse the Absence of a Commission Member.

Jay Shands made a motion to excuse Victor Leal from the Finance Commission meeting held on December 13, 2013. Cindy Lyons seconded and the motion was adopted.

Finance Commission Matters:

General Public Comment.

No public comments were received.

Consent Agenda.

Susan Burton made a motion that the Finance Commission approve consent agenda items A1; B4-6; C2; and D3-4. Cindy Lyons seconded and the motion was adopted. (A copy of the consent agenda is attached).

Finance Commission Operations – Legislative Issues; Testimonies and Correspondence; and Agency Complaints.

Doug Foster, Executive Director to the Finance Commission opened with discussion regarding legislative testimony and the Agencies' upcoming quarterly updates provided to the Senate Committee on Business and Commerce.

Discussion Regarding the Process of Strategic Planning for the Finance Commission Agencies' 2015-2019 Strategic Plans.

Executive Director Foster provided an overview of the tentative timeline regarding the Agencies' strategic plans. Chairman White announced the appointment of Stacy London as the Chairman of the Strategic Planning Committee, with Jonathan Newton and Larry Patton also serving as members.

Committee Chair London commented on the previous successful review of the strategic planning process.

Discussion of and Possible Vote to Award Final Selection of Organizations to Receive Grant Funds in an Aggregate Amount Not to Exceed \$250,000 from the Texas Financial Education Endowment Fund.

Commissioner Pettijohn provided an overview and recent status report pertaining to the Texas Financial Education Endowment Fund (TFEE). She further reported on the Grant Advisory Committee meetings and the processing of thirty-three applications received by the October 15, 2013, deadline. She continued with the announcement of the recommended 2014 TFEE grant recipients.

There was discussion among members with Commissioner Pettijohn addressing the questions. Chairman White commended the Advisory Committee and members Lori McCool and Cindy Lyons for their continued support and work on the grant review team.

Lori McCool made a motion to Award Final Selection of Organizations to Receive Grant Funds as Identified in the OCCC Handout Titled "Recommended 2014 TFEE Grant Recipients" in an Aggregate Amount Not to Exceed \$250,000 from the Texas Financial Education Endowment Fund. Cindy Lyons seconded and the motion was adopted. (A copy of the recipients is attached).

Discussion and Appointment of Search Committee Members.

Chairman White discussed the announcement and retirement of the Finance Commission Executive Director and Commissioner of the Department of Savings and Mortgage Lending on August 31, 2014. There was discussion regarding the transitional period and appointment of a search committee.

Chairman White appointed Stacy London as the Chair with Will Lucas, Cindy Lyons and Jonathan Newton also serving on the search committee. He stated there would be discussion during the February meeting regarding the replacement of the Finance Commission Executive Director's position with an announcement and effective date prior to the June 2014 meeting.

Department of Savings and Mortgage Lending

Industry Status and Departmental Operations:

Commissioner Foster provided an overview of the Agency's executive summary report while highlighting the improvements within the CAMELS ratings. He further reported on the two FDIC Bankers Outreach meetings held in Austin and Richardson, Texas. There had been positive and continuing improvements in the Texas state savings banks area.

The Commissioner continued with a summary of the residential mortgage loan originators activity report. As of November 30, 2013, 7,976 individuals had gone through the renewal process by either submitting or indicating their renewal request. The Agency is currently half-way through the yearly license renewal process.

He provided an update of the first Mortgage Industry Day held in conjunction with the Texas Mortgage Banker Association's Education Seminar on November 12, 2013, in Dallas. The meeting was a very positive event and well attended. Stacy London commented on the excellent presentation including many field examiners, personal interaction and execution of the meeting.

Commissioner Foster provided an overview of the new consumer complaints survey program. Every 60 days a survey seeking additional information and response will be emailed to consumers whose complaints have been closed.

The Commissioner concluded his discussion with a summary of the significant decrease and vast improvement within the enforcement activity areas.

Office of Consumer Credit Commissioner

Industry Status and Departmental Operations:

Commissioner Pettijohn summarized the Agency's consumer protection activities and highlighted the increase in the average examination processing hours for CABs. There continues to be an improvement and greater acceptable level of compliance within the motor vehicle sales finance examination area.

The Commissioner continued by highlighting complaints and issues pertaining to credit card surcharges noting the recent legislative amendments and changed enforcement authority. There was discussion among members with Commissioner Pettijohn addressing the questions.

She continued with an update on property tax lending and discussed the expanded report relating to licensing, examination and collection of data for property tax lending. She commented on the number of consumer complaints involving account payoff or remaining balances on property tax loans. There was discussion among members with Commissioner Pettijohn and Sealy Hutchings addressing the questions.

Commissioner Pettijohn summarized the licensing report with notable trends and significant improvement in the Agency's processing time for license applications. There was discussion among members on the decline of crafted precious metal registrations with Commissioner Pettijohn addressing the questions.

The Commissioner provided an overview of the Agency's CAB reports highlighting the statewide averages and volume comparison totals. There was discussion among members with Commissioner Pettijohn addressing the questions.

She continued with an update and progress report of the Agency's information technology project, the licensing and registration web-based portal. The Agency continues to engage stakeholder participation through the Industry Advisory Workgroup regarding the industry's anticipated use of the new system. There was discussion among members with Commissioner Pettijohn addressing the questions.

Commissioner Pettijohn provided an update of the Agency's executive summary report, highlighting the staffing and employee data, including available hiring opportunities.

The Commissioner concluded her discussion by providing an overview of the legal report and highlighting the Agency's enforcement actions.

Department of Banking

Industry Status and Department Operations:

Chairman White announced the DOB had been reaccredited by CSBS. He commended the Commissioner and his staff for their hard work and preparation for the review. He continued by congratulating Commissioner Cooper on his fifth year anniversary with the Agency.

Commissioner Cooper provided an overview of the banking administrative actions and their compliance with examination priorities. He commented that past due bank examinations are at zero.

The Commissioner discussed the Agency's CSBS reaccreditation review and process. He continued by acknowledging the hard work and preparation by the office staff.

He continued with an Agency update of the two FDIC Bankers Outreach meetings and also noted several employees had recently attended the CSBS Symposium held in Washington, D.C.

Commissioner Cooper provided an overview of the corporate activities and detailed the applications for mergers and conversions. There are currently five pending applications to convert from a national bank charter to a state bank charter.

Russell Reese provided an update of the special audit and division activities report. He summarized the Department's issuance of a Supervisory Memorandum related to certain MSB license holders.

Commissioner Cooper continued by detailing the summary of strategic support and other divisional activity items. A financial education webinar featuring strategies to meet bank Community Reinvestment Act requirements was held in October. He also provided an update and overview of the Texas Bank Report, which was released in November.

The Commissioner concluded his discussion by providing an overview of the legal report and highlighting the Agency's enforcement actions.

Discussion of and Possible Vote to Reappoint Tom Elam as the Insurance Funded Industry Representative and Sandra Booth as the Consumer Representative to the Guaranty Fund Advisory Council for the Period January 1, 2014 – December 31, 2015.

Stephanie Newberg provided an overview of the proposed reappointment.

Jonathan Newton made a motion to approve the Reappoint of Tom Elam as the Insurance Funded Industry Representative and Sandra Booth as the Consumer Representative to the Guaranty Fund Advisory Council for the Period January 1, 2014 – December 31, 2015. Stacy London seconded and the motion was adopted.

Finance Commission Matters (Continued)

Chairman White called for an Executive Session at 10:48 a.m.

Chairman White reconvened the Open Meeting of the Finance Commission at 11:07 a.m.

Discussion of and Possible Action Regarding Personnel Matters Pursuant to Section 551.074, Texas Government Code: Deliberations with Respect to the Duties of a Person Holding the Position of Executive Director of the Finance Commission, Deliberations with Respect to the Duties of Persons Holding the Position of Agency Commissioner Positions, and Other Staff.

There was discussion with no vote on the agenda item.

Discussion of and Possible Action Regarding Facility Planning and Real Property Matters Pursuant to Section 551.072, Texas Government Code: Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property.

There was no discussion or vote on the agenda item.

Discussion of and Possible Action Regarding Anticipated and Pending Litigation Pursuant to Section 551.071, Texas Government Code, for the purpose of seeking the advice or attorney-client privileged communications from our attorneys regarding pending and contemplated litigation.

There was no discussion or vote on the agenda item.

There being no further business, Commission Chairman Bill White adjourned the meeting of the Finance Commission at 11:11 a.m.

Bill White, Chairman
Finance Commission of Texas

Doug Foster, Executive Director of the
Finance Commission of Texas

Tammy King Wooten, Executive Assistant
Finance Commission of Texas